

***Summary***

The downward in California retail regular-grade gasoline prices since mid-October saw a reverse in course in the new year. As of January 14, gasoline prices were back to the \$3.62 level seen in the December *Petroleum Watch*. Retail diesel prices tacked on a penny over the past month, weighing in at \$4.06 per gallon.

California spot wholesale gasoline prices were \$2.68 on January 21, an increase of 44 cents from a month ago and 15 cents higher than prices a year ago. A 3 percent rise in oil prices along with a number of refinery turnarounds have placed upward pressure on California prices over the past two weeks. Wholesale diesel prices rose 20 cents over the month to \$3.08, a penny less than a year ago.

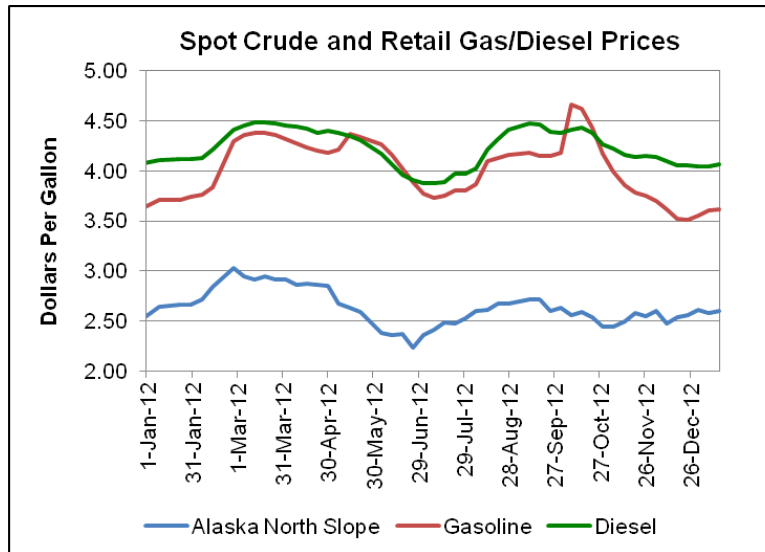
California-compliant gasoline production and inventories increased by 2.9 percent and 8.2 percent in the past week, respectively. However, California-compliant diesel production and inventories decreased by 9.6 percent and 0.1 percent in the past week, respectively. Production and inventory levels for gasoline and diesel are all within their five-year ranges.

United States crude oil prices have risen over the past month along with other international benchmark oil prices. The price of Brent crude oil has increased to \$111.72 per barrel, while the price of West Texas Intermediate (WTI) prices has increased to \$93.26 per barrel. As of January 15th, Alaska North Slope (ANS) crude oil prices rose to \$108.61, \$3.99 more than a month ago.

### ***Comparisons of Diesel, Gasoline, and Crude Oil Price Changes***

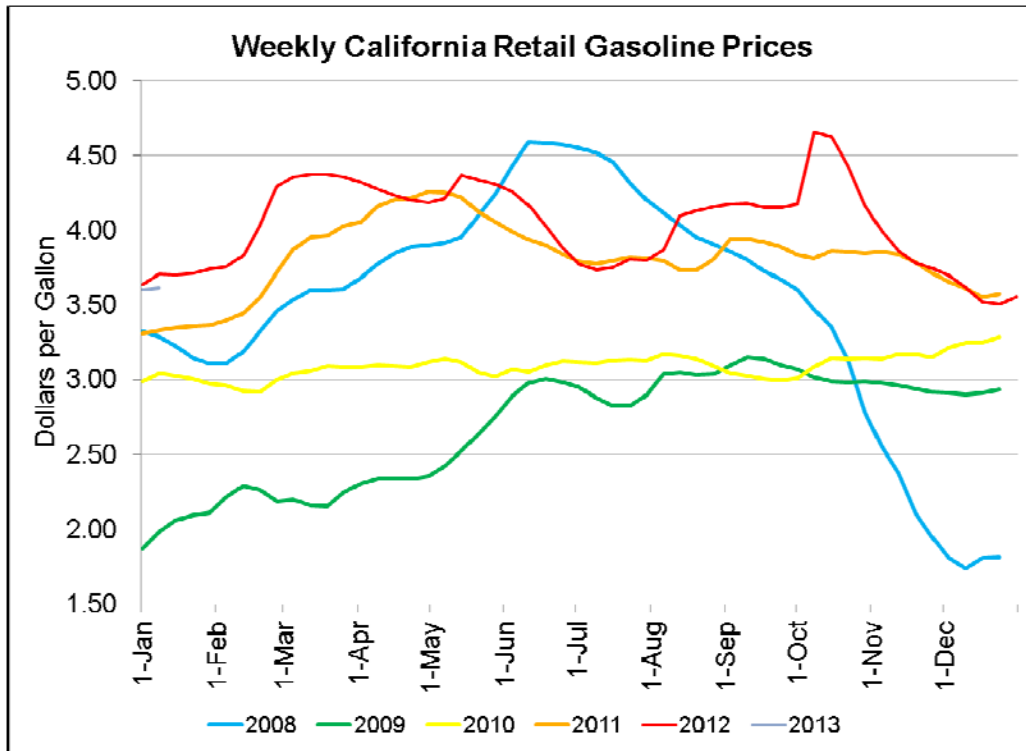
The price of gasoline has increased slightly, while crude oil prices and diesel prices have remained relatively constant over the past month. As of January 14, ANS prices were \$2.60 per gallon, gasoline prices were \$3.62 per gallon, and diesel prices were \$4.06 per gallon.

ANS, gasoline, and diesel prices are 13 cents higher, unchanged, and 3 cents per gallon lower, respectively, compared to December's Petroleum Watch.

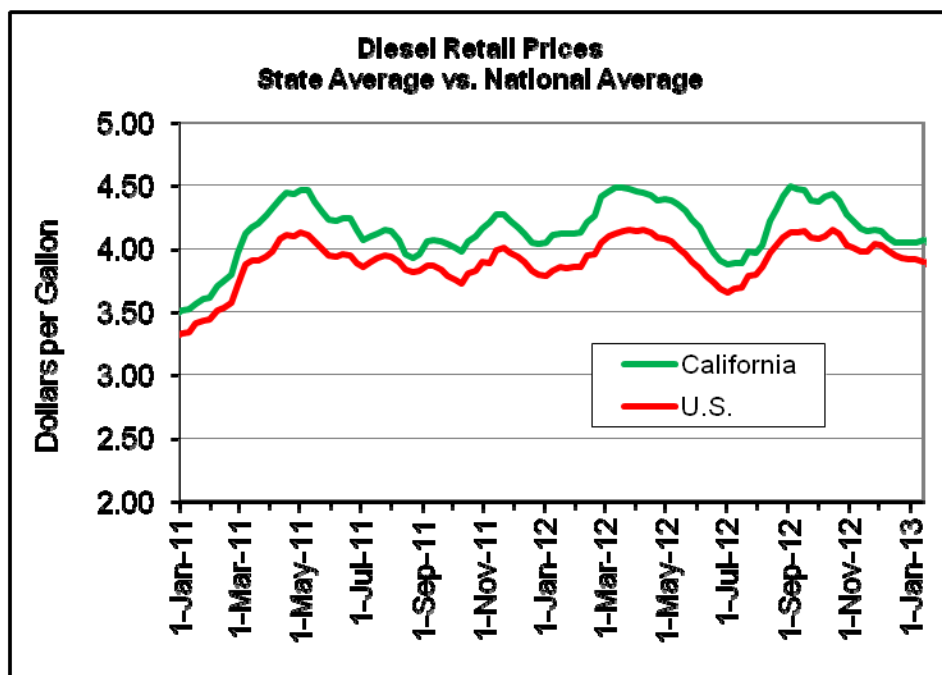


### ***Retail Prices***

The average California **retail price for regular-grade gasoline** increased 9 cents over the past month, rising to \$3.62 per gallon.<sup>1</sup> In addition, average U.S. retail gasoline prices increased 5 cents from a month ago to \$3.30. Average U.S. gasoline prices are 8 cents less than a year ago. The difference between California and U.S. retail gasoline prices increased from 27 cents to 31 cents over the past month. Overall, California retail gasoline prices closed out the year quite close to 2011's year-end prices despite a number of historic price shocks in 2012.

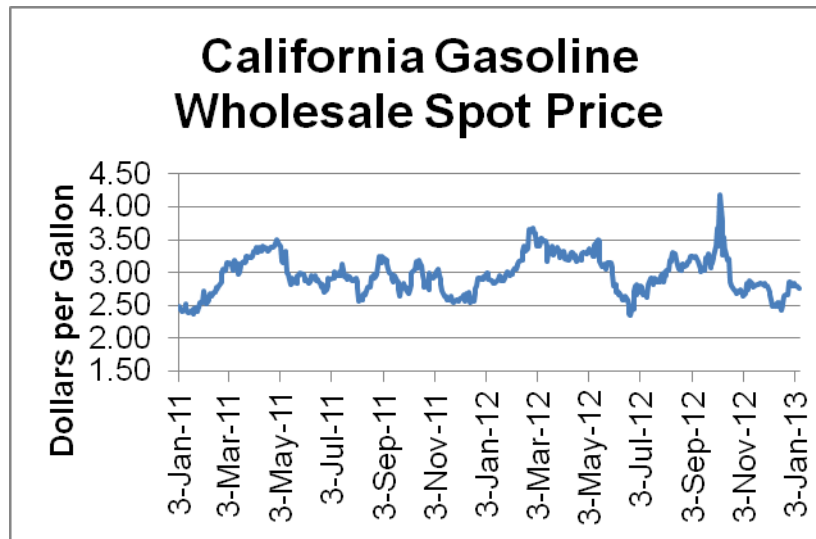


The average California **retail diesel price** rose 1 cent over the past month to \$4.06 per gallon. The average U.S. retail diesel price fell 6 cents over the past month to \$3.89 per gallon. As a result, the premium for California diesel over U.S. diesel prices increased from 11 cents to 17 cents over the past month. California diesel prices are 5 cents lower than they were a year ago, while U.S. diesel prices are 4 cents higher than a year ago.



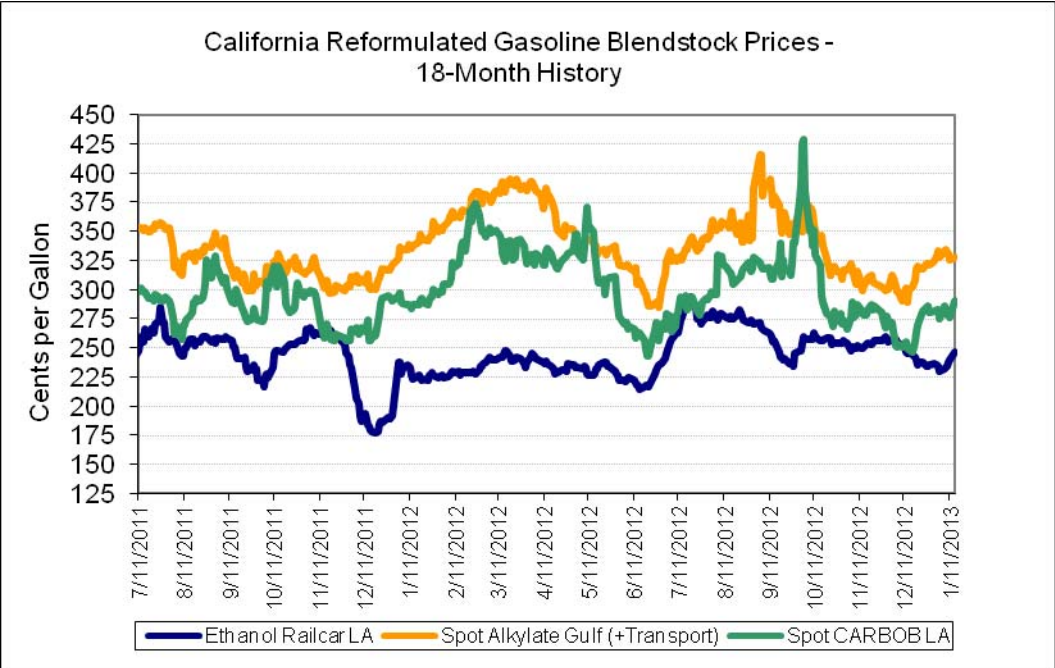
### **Wholesale Gasoline and Blendstock Prices on January 15, 2013**

After a nearly two-month trend of falling wholesale gasoline prices, the market in California reversed course over the past month, particularly in Southern California where the brunt of recent refinery maintenance has occurred. Los Angeles spot wholesale gasoline prices for regular-grade reformulated blendstock for oxygenate blending (RBOB) stood at \$2.90 on January 15, up 36 cents over the month and 7 cents above the same time last year. Prices in New York are up 6 cents over the month but down four cents over the year.

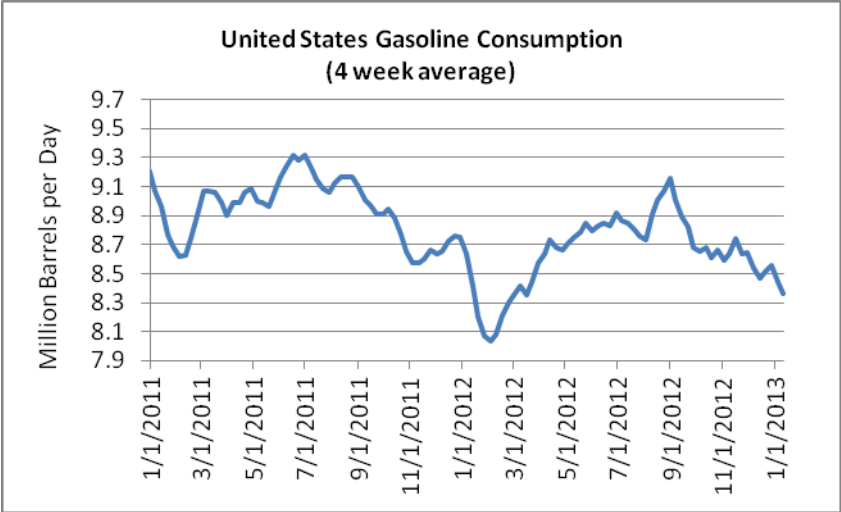


Wholesale diesel prices in California saw a similar trend, tacking on 21 cents in the past month to \$3.08. Los Angeles spot prices are down about a penny compared to the same time last year. New York diesel eked out a half-cent increase to \$3.07 over the past month, also staying even on a year-to-year basis.

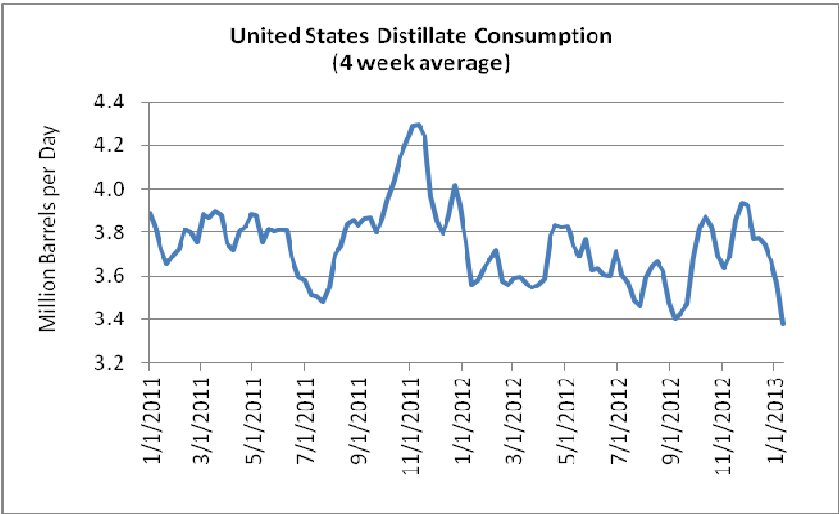
The average representative estimated cost of **fuel ethanol** to California refiners and marketers fell 6 cents to \$2.46 per gallon as of January 14, 2013.<sup>2</sup>



The EIA's weekly report for the week ending January 11 shows the four-week average for gasoline consumption at 8.4 million gallons, which is a 0.6 percent decrease from a year ago. Compared to a month ago, weekly consumption is 2.0 percent lower.

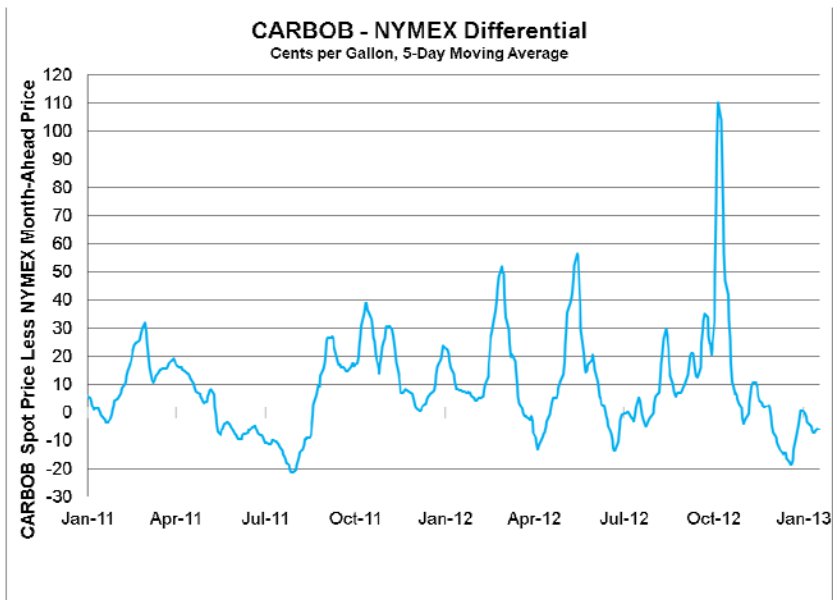


On the diesel side, the EIA’s weekly consumption data shows the four-week average for diesel consumption at 3.4 million gallons, which is a 5.2 percent decrease from a year ago. Compared to a month ago, consumption is 1.5 percent lower.

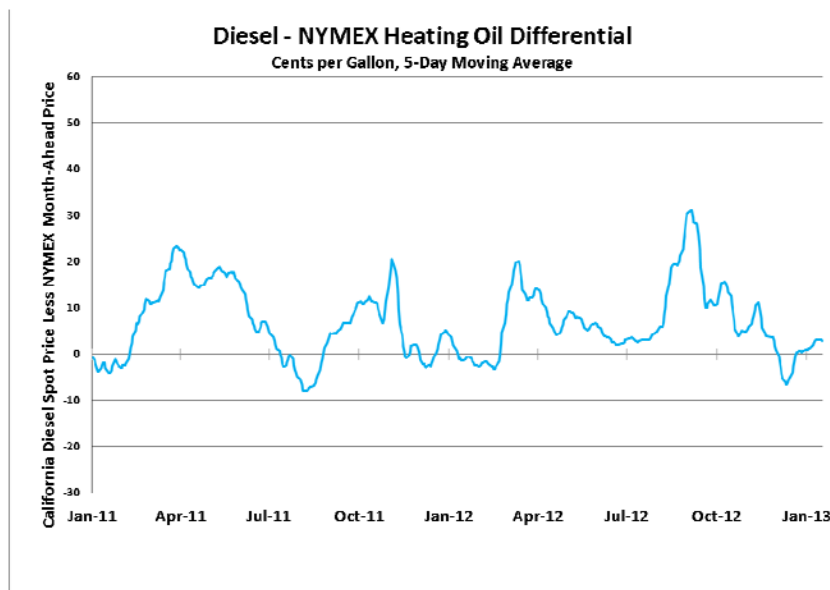


***Futures-Spot Market Spread<sup>3</sup>***

As of January 16, the spot market price for California gasoline was at a 6-cent discount to the New York Mercantile Exchange (NYMEX) one-month-ahead futures price, when regarded as five-day moving averages. California spot prices have been below this NYMEX benchmark for most of the past month, only rising above the screen for two days at the end of 2012. This discount is unlikely to continue much longer, however, as California’s transition to the more expensive summer blend will put upward pressure on prices. California spot gasoline averaged 11 cents higher than NYMEX in 2012, albeit with significant variation as illustrated by the following chart.

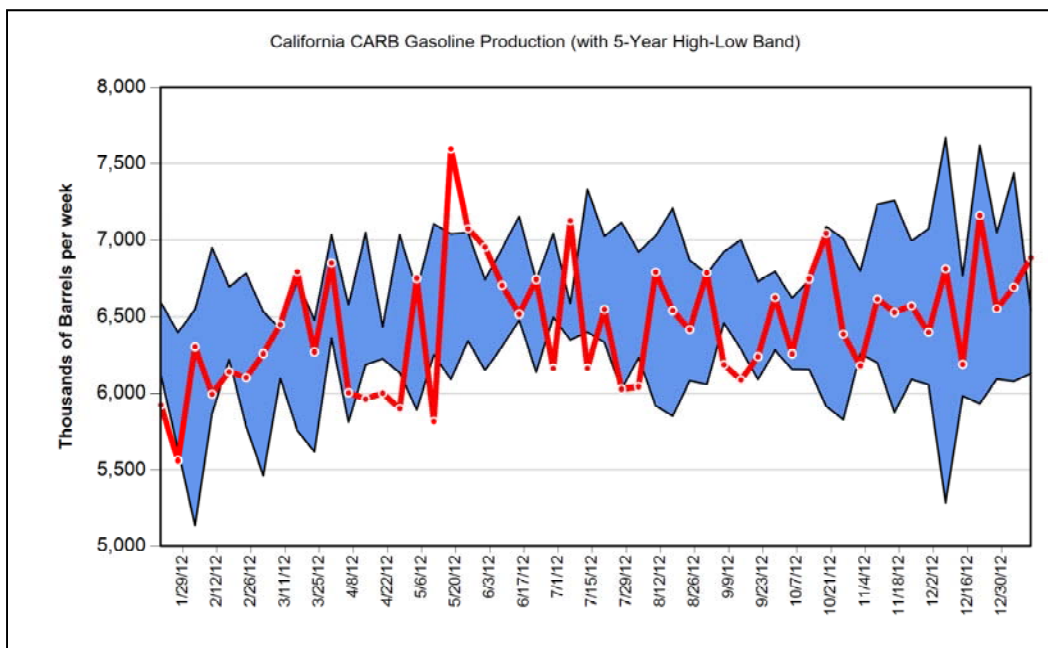


As of January 15, California spot diesel sold at a 4-cent premium to the NYMEX heating oil one-month-ahead futures price, using five-day moving averages, in contrast to the month leading up to the December *Petroleum Watch* which saw spot prices at a discount. Spot diesel averaged eight cents higher than NYMEX heating oil in 2012, indicating an adequate supply in the diesel market.

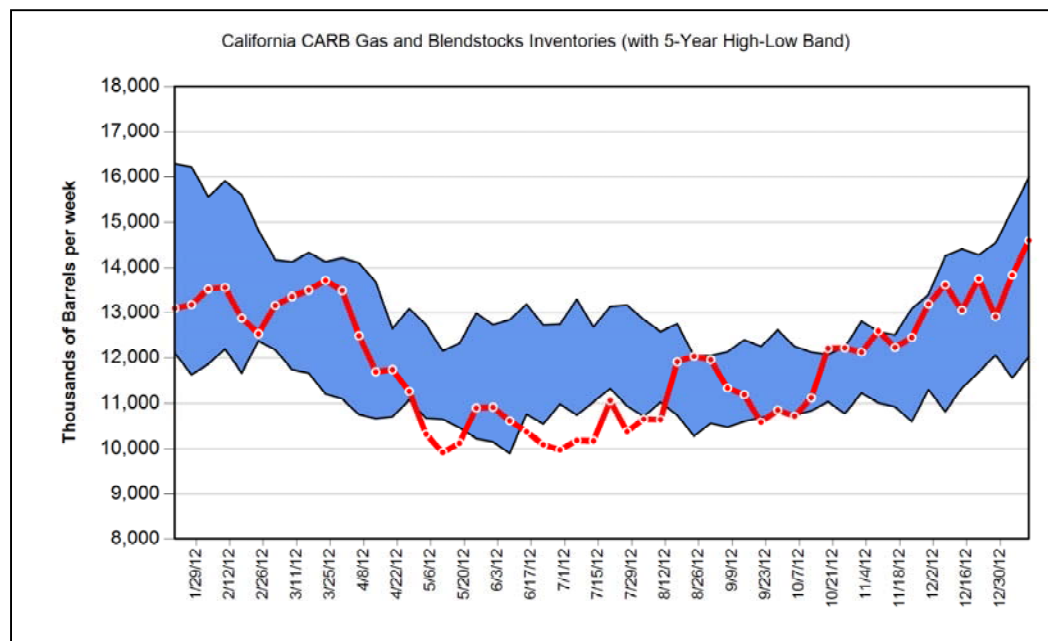


## Refinery Production and Inventories

**Reformulated gasoline production** in California for the week ending January 11 increased 2.9 percent from the previous week to 6.9 million barrels, rising above the five-year range. <sup>4</sup>



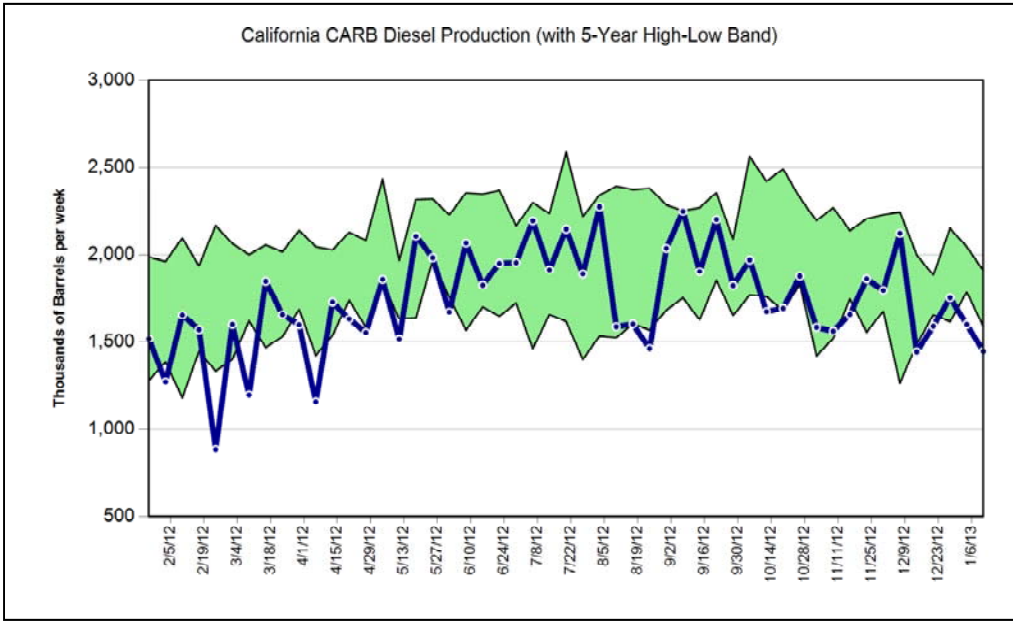
California **reformulated gasoline inventories** increased 8.2 percent from the past week, while gasoline blendstock inventories increased 3.0 percent. California's combined inventories of reformulated gasoline and gasoline blendstocks increased 5.5 percent from the previous week to 14.6 million barrels, rising to the upper half of the five-year range.



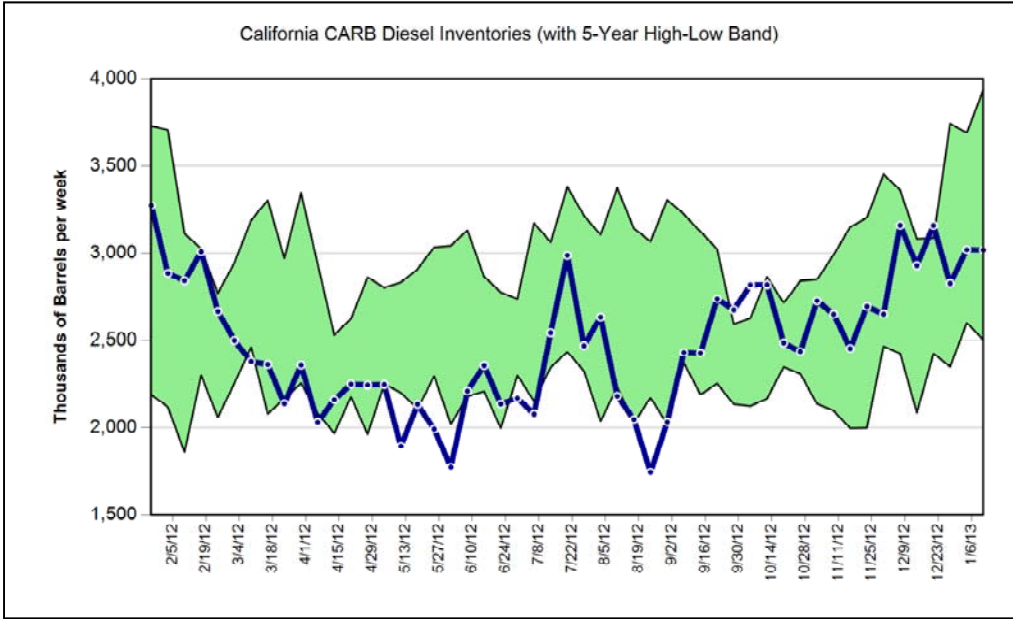


US gasoline inventories as of January 11 increased by 17.9 million barrels to 235 million barrels since December's *Petroleum Watch*. On the west and gulf coasts, gasoline inventories increased by 6 million and 8.9 million barrels, respectively, since the last *Petroleum Watch*. However, inventories on the East Coast have decreased by 4.5 million barrels.

California-compliant **ultra-low-sulfur diesel fuel (CARB diesel) production**<sup>5</sup> was 1.4 million barrels during the week ending January 11, a decrease of 9.6 percent from the previous week, rising to near the top of the five-year range.



**Inventories of CARB diesel** in California decreased 0.1 percent from the previous week to 3.0 million barrels, rising to the upper end of the five-year range.



On the West Coast distillate inventories increased by 2.1 million barrels from a month ago and are 1.3 million barrels higher than last year. U.S. distillate inventories as of January 11 rose to 132.4 million barrels, 1.7 million barrels more than the previous week. However, inventories fell by 4.3 million barrels on the East Coast.

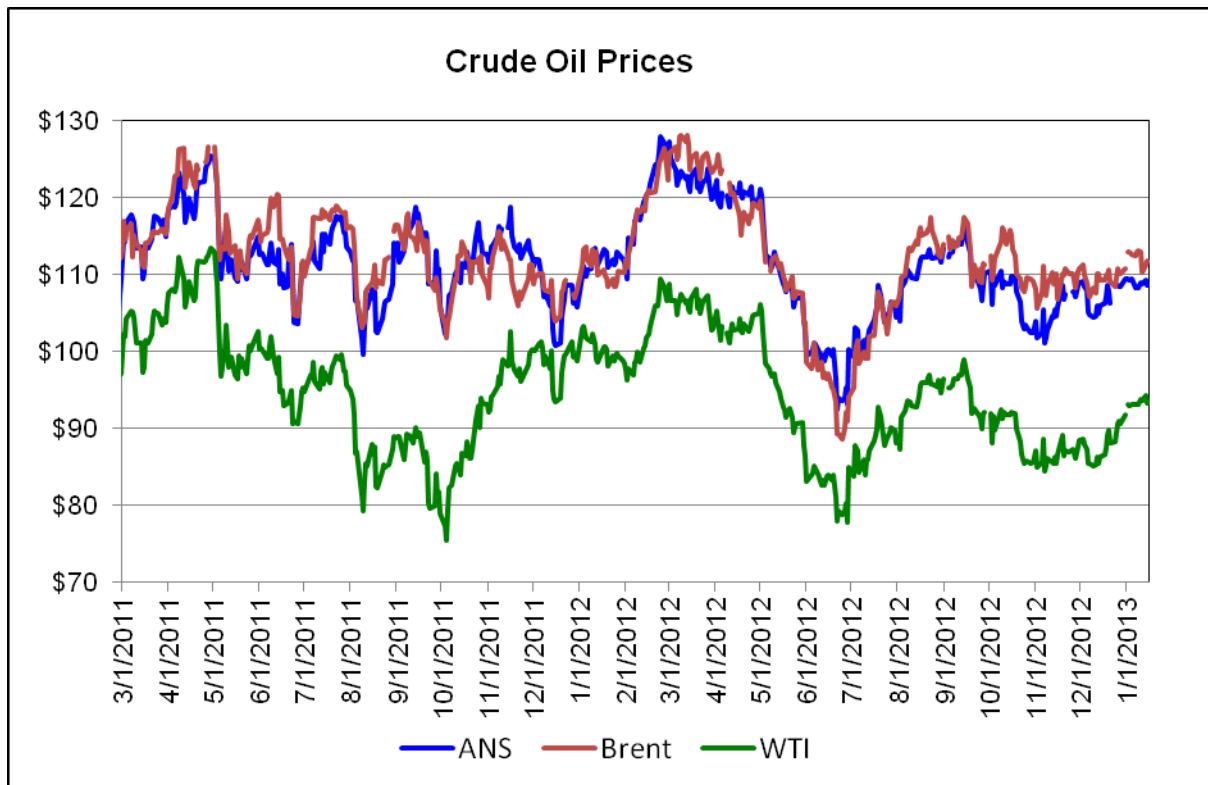
### **Crude Oil Prices and Associated Factors**

West Coast prices for ANS crude oil, a refinery feedstock for California, increased to \$108.61 as of January 15. ANS crude prices have increased \$3.99 since the previous Petroleum Watch and are \$4.65 less than a year ago.<sup>6</sup> Over the past month, increases in both the inventory levels and S&P 500 have made United States oil prices rise.<sup>7</sup>

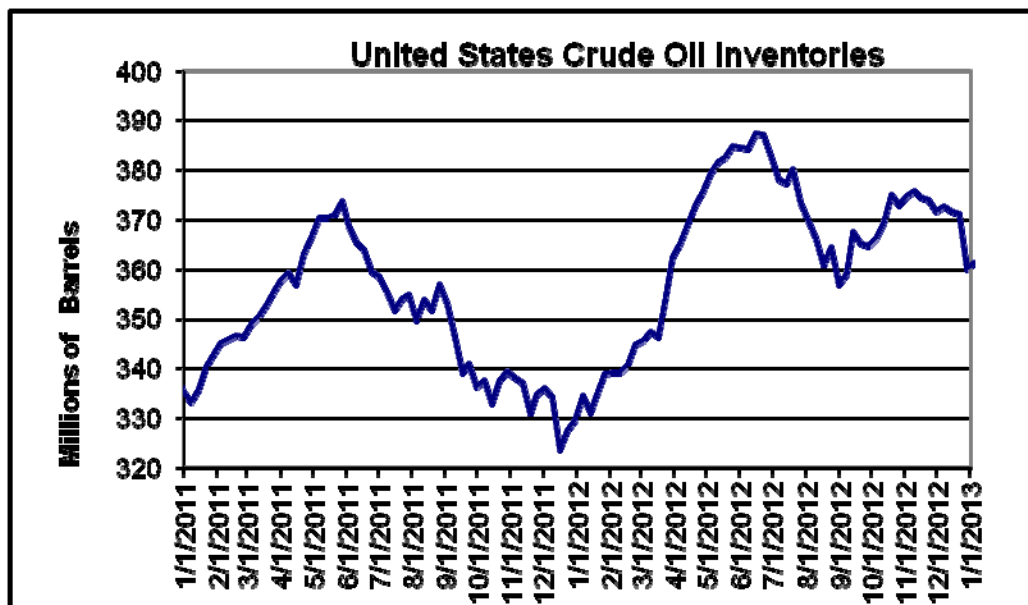
#### **Recent Trends in Crude Oil Prices**

	Dec-12	Jan-13	Change from previous Month	Directional Contributing Factor		
				Upward	Downward	Unchanged
ANS Crude Oil Price (U.S. Dollars/Barrel)	\$104.62	\$108.61	Up 3.8%			
Europe Brent Crude Oil Price (U.S. Dollars/Barrel)	\$107.60	\$111.72	Up 3.8%			
West Texas Intermediate, Cushing Oil Price (U.S. Dollars/Barrel)	\$85.36	\$93.26	Up 9.3%			
U.S. Crude Oil Inventories (MM Barrels)	372.6	361.3	Down 3%	✓		
S&P 500	1,428	1,472	Up 3.1%	✓		
EURO STOXX 50 Price	2,624	2,634	Up 0.4%	✓		
Total Dollar Index	80	80	Unchanged			✓
Exchange rate: Dollars per Euro	1.3	1.3	Unchanged			✓
European Debt Problems						✓
Disruption in Oil Exports						✓

The spread between West Texas Intermediate crude oil prices and Brent crude oil contracts decreased slightly, averaging \$18.46 since the last Petroleum Watch. West Texas Intermediate-NYMEX futures traded at \$93.20 per barrel as of January 15, \$15.35 less than ANS crude oil.



U.S. crude oil inventories have increased over the past week but have decreased over the past month. As of January 11, U.S. commercial crude oil inventories fell by 0.95 million barrels from the previous week to 360.3 million barrels. Crude oil stocks are 29.1 million barrels higher than a year ago and 40.6 million barrels more than the five-year average for this date. California crude oil stocks rose 5.0 percent from the previous week to 16.6 million barrels and are 9.5 percent higher than a year ago.



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<sup>1</sup> Retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

<sup>2</sup> Ethanol railcar prices are from *Platts Oilgram* and are average prices for prompt Southern California shipments minus a 45¢/gal federal excise tax credit for 2009 through 2011 prices and a 51¢/gal federal excise tax credit for prices prior to 2009. The federal excise tax credit expired at the end of 2011. California alkylate prices are also calculated from *Platts Oilgram* and include a 20¢/gal transportation and distribution cost from Gulf Coast to California. Spot wholesale prices for regular-grade California reformulated gasoline blendstock for oxygenate blending (CARBOB) are from Oil Price Information Service.

<sup>3</sup> A higher spread between the state's spot fuel prices and the New York Mercantile Exchange (NYMEX) futures price indicates supplies are tighter in California, and a lower spread indicates the market is relatively well-supplied compared to the rest of the country. The NYMEX futures price reflects the national market, while California Reformulated Gasoline Blendstock for Oxygenate Blending (CARBOB) is a gasoline blend unique to California and is usually sold at a premium to the NYMEX.

<sup>4</sup> California refinery production and inventory information is from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

<sup>5</sup> Staff has discontinued the reporting of combined CARB and EPA diesel production and inventories and will report only CARB diesel as of December 2009. EPA diesel is primarily for export from California.

<sup>6</sup> Alaska North Slope (ANS) crude oil prices are from *The Wall Street Journal*. Brent and West Texas Intermediate (WTI) crude oil prices are from the Energy Information Administration.

<sup>7</sup> ANS crude oil price changes are influenced by inventory levels, refinery capacity, domestic and international economic conditions, currency exchange rates, perceived risks to global supply such as unrest in the Middle East, and near-term price trends as indicated by the futures market for crude oil.